

Amendments for SB509

EXHIBIT 1
DATE 4-6-09
SB 509

1. Page 4, line 23-24.

Following: "producers."

Insert: "(10) "Prepared for shipment" includes but is not limited to services such as in-mine movement, crushing, sizing, screening, storing, mixing, loading, treatment with substances including chemicals or oils, and other preparation of the coal for disposition."

2. Page 5, line 26.

Following: "subsequent"

Strike: "PRIMARY AND SECONDARY CRUSHING"

Insert: "being prepared for shipment on the mode of transportation taken to its final destination"

3. Page 5, line 28.

Following: "destination"

Strike: "but prior to drying, cleaning, or other processing"

These three amendments revert the bill to how it was originally introduced and correct an error.

Amendment 1, page 4

The definition "Prepared for shipment" helps make sure that the bill only allows the coal washing expenses of an underground mine to be deducted from contract sales price. It clarifies current practice that other costs prior to "prepared for shipment" or "f.o.b. mine" are part of the coal's value and cannot be deducted. This definition, the definition of "market value f.o.b. mine", and the definition of "coal washing" play off of each other to make sure all underground and surface mines are taxed in an equitable manner and are on an equal playing field.

Amendment 2, page 5

The language originally inserted in section 4 on page five of the bill simply clarifies current practice that the value point for taxing the coal is the point when the coal is prepared for shipment and placed on the mode of transportation to final destination. Again this language is making sure underground and surface mines are on an equal playing field.

Amendment 3, page 5

In order for the coal washing deductions to be deducted from the value, the costs of coal washing must be in the taxable value. As the original language currently reads the point of valuation would be before drying, cleaning, or other

processing, and therefore the valuation would have been done prior to these costs, which will not work for the intent of this bill.

Please note that the definitions in SB509 are needed to provide consistent administration of the coal taxes. If there is not clear and consistent definitions of "market value f.o.b. mine", "coal washing", and "prepared for shipment" then the; 1) the **taxable value** to which the coal washing deductions will be deducted from could vary from mine to mine, and 2) the **coal washing deductions** that are subtracted from the taxable value also could vary from mine to mine.